

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.3607 Replacement group disability insurance policy or certificate with preexisting condition limitation; elimination, reduction, or limitation of benefits; applicability of section to in-state resident; “disability coverage” and “disability insurance policy” defined.

Sec. 3607. (1) If existing group disability coverage is replaced by a group disability insurance policy or certificate with a preexisting condition limitation and insuring 10 or more employees or members, coverage in the replacement policy or certificate applicable to the preexisting condition limitation for an individual who had been covered for that condition by the replaced coverage shall be not less than the lesser of the following:

(a) The coverage of the replacement policy or certificate without application of the preexisting condition limitation.

(b) The benefits of the replaced group disability coverage until the individual's preexisting condition limitation expires under the replacement policy or certificate.

(2) Other than as provided in subsection (1), a replacement group disability insurance policy or certificate insuring 10 or more employees or members shall not include a limitation upon an individual or exclude an individual who was covered by the group disability coverage being replaced if the individual is a member of the class or classes of individuals eligible for coverage under the replacement policy or certificate.

(3) If existing group disability coverage issued or renewed on or after January 1, 1992 is replaced by a group disability insurance policy or certificate with a preexisting condition limitation and insuring less than 10 employees or members, the replaced coverage shall extend benefits for the condition excluded by the replacement policy or certificate because of the application of a preexisting condition limitation by providing benefits for that condition until the term of the preexisting condition limitation has expired or 6 months have elapsed, whichever occurs first. An individual not covered for a condition under replaced group disability coverage because the term of a preexisting condition limitation has not expired is covered for that condition under the replaced coverage pursuant to this subsection when the term of the preexisting condition limitation in the replaced coverage expires. If there is a dispute between the replacement carrier and the replaced carrier as to whether an individual's condition is included within a preexisting condition limitation, benefits shall be paid by the replacement carrier pending resolution of the dispute. This subsection applies only to the extent that benefits would have been available for the preexisting condition under the replaced coverage. This subsection applies only if the replaced master coverage has been in effect for at least 6 months.

(4) If existing group disability coverage issued or renewed on or after January 1, 1992 is replaced by a group disability insurance policy or certificate with a preexisting condition limitation and insuring less than 10 employees or members, the replacement policy or certificate shall not include a limitation for a period exceeding 6 months upon an individual or exclude an individual who was covered by the group disability coverage being replaced if the individual is a member of the class or classes of individuals eligible for coverage under the replacement policy or certificate.

(5) This section does not preclude an elimination, reduction, or limitation of benefits that applies to an entire plan. This section applies to individuals who are covered under the replaced policy or certificate at the time of replacement and does not apply to individuals who become eligible for or apply for coverage under a replacement group disability policy or certificate after that replacement policy or certificate is issued.

(6) This section applies whenever an individual residing in the state of Michigan is covered by existing group disability coverage that is being replaced, regardless of the state in which the replacement policy or certificate is issued.

(7) As used in this section:

(a) “Disability coverage” means expense-incurred hospital, medical, or surgical coverage.

(b) “Disability insurance policy or certificate” means an expense-incurred hospital, medical, or surgical insurance policy or certificate.

History: Add. 1989, Act 255, Eff. Jan. 1, 1992;—Am. 1994, Act 180, Imd. Eff. June 20, 1994.

Popular name: Act 218